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**Top Secret**

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Monday August 16, 1976

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National Intelligence Daily Cable for Monday, August 16, 1976

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: New Christian Offensive

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[REDACTED] Christian forces, apparently encouraged by the fall of Tall Zatar last week, announced yesterday that the battle to retake Palestinian positions in the mountains east of Beirut had begun. Both Christian and Palestinian sources report heavy fighting in the areas of Aynturah, Mutayn, and Sannin since Friday night.

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[REDACTED] A new Christian offensive so soon after the fall of Tall Zatar could encourage reprisals against Christian communities even by Palestinians disinclined to retaliate for that defeat.

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[REDACTED] The Christians seem undeterred by the prospect of reprisals. The Christian radio declared on Saturday that the last Palestinian stronghold in the mountains could be easily overrun and suggested that a move northward to Tripoli would allow the Christians to "draw new geographical lines for Lebanon."

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25X1 [redacted] Palestinian and leftist spokesmen allege the latest Christian moves are aimed at finally partitioning Lebanon. Phalanges Party leader Pierre Jumayyil fueled their suspicions with a statement Friday in which he advocated separately administered Christian and Muslim areas.

25X1 [redacted] Jumayyil rejected formal partition, but said that a return to the pre-civil war system of government is impossible and that some formula must be found to permit Christians the freedom and security to administer their own affairs. He proposed talks on his federation scheme between Christian and traditional Muslim leaders, apparently in an effort to exclude leftist leader Kamal Jumblatt.

25X1 [redacted] Jumblatt asserted on Saturday that the loss of Tall Zatar had closed all doors to negotiations, and called for a war of attrition against the Christians and Syrians. He urged that all Lebanese leftists who have thus far sat out the war be mobilized for a "popular army" under the control of his newly formed political council.

25X1 [redacted] Both Saudi Arabia and Kuwait have called for an Arab summit to discuss the Lebanon situation after the Tall Zatar defeat. In carefully worded statements that avoided placing blame or taking sides, both urged that some sort of concord among the Arabs is essential to prevent the "deep hatred and desire for revenge" now prevalent from growing more intense.

25X1 [redacted] Christian sources say that the 2,100 Iraqi militiamen who they allege arrived in Lebanon on Thursday have now moved north to consolidate control of the Sidon-Beirut highway. The Iraqis are said to be building fortifications along a stretch of the road north of Sidon about half way to Beirut.

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[REDACTED]

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[REDACTED] Syria's Interior Ministry Friday night announced new restrictions on travel between Lebanon and Syria, apparently as a precaution against the infiltration of Palestinian and Iraqi saboteurs. Damascus has experienced a series of bombings in recent weeks, and the Syrians probably fear further reprisals as a result of the fall of Tall Zatar.

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[REDACTED] Travelers in either direction now must obtain permission to cross the border from Syrian immigration authorities, as well as from Lebanese "administrative authorities"---presumably President Franjiah's administrative apparatus.

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[REDACTED] The US embassy in Damascus reports that the Syrians are showing some laxity in imposing the new restrictions, but close coordination between Syrian authorities and Franjiah's administrators could effectively close the border to Palestinian and leftist travelers.

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#### EGYPT-SYRIA: Propaganda Exchanges

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[REDACTED] Egypt and Syria renewed their propaganda battle over the weekend with an exchange of denunciations that go further, particularly in Egypt's case, toward a declaration of political warfare than ever before in their year-long campaign of mutual insults.

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[REDACTED] In an official statement issued Friday night after the fall of the Tall Zatar refugee camp in Beirut, Egypt denounced Syria and the Lebanese Christians as traitors who have disgraced themselves by cooperating with Israel to crush the Palestinians.

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[REDACTED] The statement predicted that the Syrian leadership will fall along with Tall Zatar. It also warned "all these traitors who call themselves Arabs that the battle to purge them from honorable Arab ranks has begun."

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[ ] Syria responded on Saturday with an equally scornful but less threatening official statement that rehashed old Syrian charges of Egyptian cooperation with Israel and, for the first time, publicly accused Egypt of supplying arms to Palestinian forces in Lebanon.

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[ ] Charging that Egypt has consistently refused to arm the Palestinians for operations against Israel, the statement derided the Egyptians and President Sadat for arming them now and inciting them "to die in the wrong place." The statement attributed Egypt's motives to a "blind hatred" for Syria and a desire to perpetuate the Lebanese war in order to weaken the Arab struggle with Israel.

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[ ] Damascus challenged the Egyptians either to open Egypt's borders for fedayeen action against Israel or to send troops to southern Lebanon to stand with Syrian troops as protection against possible Israeli intervention there.

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[ ] The Syrians know that Egypt is unlikely to risk a conflict with Israel by taking either action; Syria has itself carefully avoided such provocations. Damascus hopes to embarrass the Egyptians by pointing up the insincerity of Egypt's current support for the Palestinians, and to turn Egypt's charges of Syrian-Israeli collusion around by accusing the Egyptians of the same perfidy.

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[ ] The Syrian statement appealed for support from the Egyptian people, but stopped short of directly threatening Sadat. Egypt's statement, on the other hand, seemed to give official sanction to hints in the Cairo press over the past few days that the Syrian government should be toppled.

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[ ] In its previous denunciations of Syria, Cairo has always distinguished between the Baath Party leadership and President Asad, portraying Asad as a victim of Baathist influences. That distinction has now disappeared, and the Cairo press has suggested that the fall of the Syrian regime is inevitable.

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[ ] There is little the Egyptians can do directly to bring the Asad government down, but they could step up their already considerable effort to thwart the Syrians in Lebanon. The

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statement issued on Friday vowed that Egypt would stand "with all its capabilities" by the side of the Palestinians--a pledge that at a minimum probably means increased efforts to rearm Palestinian and leftist forces.

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#### EGYPT-LIBYA: Terrorist Bombing

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[ ] Egyptian officials are assuming that Libya was behind the bombing of a passenger train in Alexandria on Saturday, although they have no firm evidence and have arrested no suspects. The bombing--the worst terrorist incident in Egypt in years--killed 8 and injured 50.

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[ ] Police questioned three of the injured as possible suspects, but later released them. Authorities have announced only that the explosives were similar to those used in previous incidents known to have been Libyan-inspired.

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[ ] The Egyptians are certain to use the bombing on Saturday as further evidence for their case that Libyan President Qadhafi poses a threat to Egypt and the Arab world, whether or not they obtain good evidence of a Libyan connection.

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[ ] One Cairo newspaper has already asserted that the incident is further proof that "indulgence" is no longer possible with Qadhafi. President Sadat warned repeatedly in an interview published just before the bombing that Qadhafi "will not escape from my hands this time."

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[ ] The Egyptians' frequent warnings to Libya over the past few weeks and the publicity given in recent days to Egypt's "defensive" military concentrations on the Libyan border are probably designed in part to reassure the Egyptian people that the government can provide adequate security against sabotage. The US embassy in Cairo reports that many Egyptians are becoming apprehensive about frequenting public places.

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[redacted] Egypt's warnings also have a distinctly offensive flavor and appear to be more than mere propaganda. Cairo newspapers, undoubtedly with government approval, have written frankly of Qadhafi's "liquidation," [redacted]

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[redacted] Libya is reacting with studied nonchalance. Although the Libyans have called for an emergency session of the Arab League to consider Egypt's threats, Libyan media scoff at them as the product of Sadat's "mental sickness." One newspaper has dared Egypt to attack, noting incongruously that war would break down the barriers to the unity that Tripoli has always advocated.

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[redacted] Libya appears to be attempting to play on Sadat's isolation in the Arab world to discredit Egypt's position on the Egypt-Libya dispute. Referring to what it called Sadat's recurrent attacks of "mental illness," Libya's official news agency yesterday urged all Arab states to be wary of dealing with Sadat because his behavior on all issues has been irresponsible and erratic.

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[redacted] Although the Libyans are unlikely to gain much sympathy for their own position from other Arab states, their efforts to undermine Sadat by highlighting his erratic behavior find a response among some Arab leaders, many of whom regard Egypt's tactics in Lebanon as disruptive. [redacted]

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ISRAEL: Labor Alignment's Problems

25X1 [ ] The rescue of the hijacked hostages from Uganda last month has temporarily boosted the popularity of the Rabin government and helped mute the persistent criticism in the Israeli press of the governing coalition.

25X1 [ ] Divisive issues remain unresolved, however, and are likely to pose serious problems for Prime Minister Rabin and the Labor Alignment as political maneuvering intensifies in anticipation of the national election next year.

25X1 [ ] The Alignment, composed of Rabin's Labor Party and the left-wing MAPAM party, dominates Israel's coalition government.

25X1 [ ] At present, the Alignment--especially the Labor Party--seems more beset than usual by ideological differences, factional and personal rivalries, organizational weaknesses, and apathy at the grassroots.

25X1 [ ] Differences over future negotiations with the Arabs, particularly over the issue of territorial compromise, have stymied efforts to draft a political platform for presentation at the Labor Party's pre-election convention.

25X1 [ ] A 30-man drafting committee under former foreign minister Abba Eban recently abandoned its attempts to reconcile differences among its members and decided to submit several rival drafts for consideration at the convention.

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[ ] Party moderates favor a platform that is more specific and conciliatory toward the Arabs than the one Labor ran on in 1973. Key figures such as Foreign Minister Allon and Eban would like to see the party declare its readiness to make far-reaching territorial concessions in return for "total peace" and to negotiate with those Jordanian and Palestinian representatives prepared to recognize the state of Israel. Not even these leaders appear to favor negotiating with the Palestine Liberation Organization.

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[ ] Party conservatives oppose large-scale withdrawals from occupied territories and have accused the moderates of trying to appease MAPAM, which has threatened to withdraw from the Alignment if the Labor Party does not adopt a platform that offers some hope of conciliation with the Arabs.

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[ ] The conservatives have also criticized the moderates for failing to include any reference to Israel's refusal to return to the 1967 borders, to its rejection of a third state between Israel and Jordan, or to the right of Jews to settle anywhere in the "land of Israel"--meaning anywhere on the West Bank.

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[ ] Former minister of defense Dayan in particular has staked out a hawkish position in an apparent effort to reassert his leadership among party hard-liners. This could pose a threat to Minister of Defense Peres' own aspirations to take over the party leadership from Rabin.

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[ ] Peres purports to have confidence that he could win an intra-party struggle should the opportunity arise to challenge Rabin. He has been slowly gaining on Rabin among the Labor rank and file and recently bested Rabin by a narrow margin in a public popularity poll.

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[ ] Rabin has typically tried to straddle the issues and is likely to work for a compromise platform that both conservatives and moderates can live with. He has said publicly that he favors far-reaching territorial compromise, but he is chiefly interested in maintaining Labor Party unity under his leadership and preserving the Alignment with MAPAM as Israel goes into the general election campaign.

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[ ] The Labor Party badly needs direction and planning. Rabin is not very interested in party matters and has done little to attract new people to revitalize the party. Partly as a result, party membership has dropped from around 300,000 in 1969 to between 40,000 and 50,000 now.

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[ ] The party has also had trouble organizing a preparatory committee for the convention and has had to put off the election of delegates from October to late December. The convention itself has been postponed several times and is now tentatively scheduled for next February.

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[ ] One of the Labor Alignment's chief strengths remains the inability of the opposition Likud to reach beyond its deeply conservative constituency to attract new voters dissatisfied with Labor. This factor helped the Alignment win a plurality in 1973, and is likely to enhance its chances at the polls next year. With all of the Labor Party's problems, however, the outcome of this election is more in doubt than that of any previous one. [ ]

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#### GREECE-TURKEY: Aegean Dispute

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[ ] The UN security Council will resume its debate on the Greek-Turkish dispute over oil exploration rights in the Aegean tomorrow.

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[ ] The Greeks will continue to hold out for a resolution urging restraint by both sides and incorporating some reference to the International Court as a means of settling the dispute. //The Greek foreign ministry's top strategist on the Aegean problem told Ambassador Kubisch on Friday that Athens will not accept a statement that merely sums up each side's position and urges reconciliation.//

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[ ] The Soviet Union reportedly delivered notes to Athens and Ankara on Friday calling for restraint and for a peaceful resolution of the dispute. [ ]

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WEST - EAST GERMANY: Defusing Tensions

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[redacted] West German Chancellor Schmidt is trying to contain the political damage resulting from East Germany's attempt this weekend to thwart a Christian Democratic - sponsored rally in West Berlin to protest the Wall. Schmidt wants to continue his policy of improving relations with East Germany but, with an eye on the national election in October, he must also take a strong stand against its harassment of transit traffic.

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[redacted] Bonn was quick to protest publicly East Germany's decision on Friday to stop buses carrying Christian Democratic protesters to West Berlin for the rally. West German officials have requested a meeting of the Inter-German Transit Commission to discuss the matter early this week. The Commission reviews violations of the agreement governing transit traffic that the two states concluded in December 1971.

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[redacted] Schmidt has decided to respond to the Christian Democratic opposition's charges of government laxity by defending his attempts to improve relations with the East Germans. In an interview that will appear today in a West German newspaper, he states that "only negotiations, not torch processions" promise to improve life in divided Germany. He indicated that Bonn wishes to avoid further aggravation and will honor all bilateral agreements. He insisted that the other side do the same.

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[redacted] A major factor in Schmidt's moderate reaction may be the response of East German party chief Honecker. [redacted]

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[redacted] the recent release by East Germany of a West German who had crossed the border illegally seem to imply a desire to defuse the situation. [redacted]

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## SPAIN: Economic Program Inflationary

25X1 [ ] The economic package recently announced by Spain's new cabinet will aggravate inflation, increase the budget deficit, and worsen trade problems. The only measure not likely to add to the already high rate of inflation is a subsidy program designed to hold down food prices.

25X1 [ ] Under the new package, Madrid has authorized extraordinary budget expenditures of \$353 million, financed by Bank of Spain credits, to prop up employment, agriculture, and investment. Unemployment benefits will be extended from 12 to 18 months, but will be partially offset by lower accident compensation. New industries are to be created in areas of high unemployment. A three-year housing construction program, at a cost of \$118 million the first year, will be funded jointly by government and private sources.

25X1 [ ] Home buyers will receive mortgage subsidies and tax credits. A corporate tax credit is offered to spur investment in economically depressed regions and in mining, iron and steel production, shipbuilding, and agriculture. Taxes will be suspended on stock and insurance purchases to tap private savings and increase the flow of investable funds to industry. We do not believe, however, that the current program is expansionary enough to cut unemployment.

25X1 [ ] Farmers will receive government loan assistance and increased subsidies to purchase seed, cattle, and feed and to offset recently hiked fertilizer prices. All these measures will fuel inflation, making ultimate stabilization more difficult.

25X1 [ ] Prime Minister Suarez said economic problems are the most difficult, since the economy affects the conditions under which political reforms move forward. He believes strong stabilization measures are not now politically feasible.

25X1 [ ] The governor of the Bank of Spain has indicated that anti-recession measures are unlikely before the referendum on political reform and the election promised by next June. As a result, he believes the economic situation will worsen. [ ]

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POLAND: Rationing Sugar

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[REDACTED] The Polish government's announcement last week that sugar will be temporarily rationed beginning today was another embarrassment for the Gierek leadership.

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[REDACTED] The rationing is the result of panic buying rather than serious shortages. The people have been worried about anticipated price rises and have been hoarding for almost two months. Stocks of many basic items have been depleted, and long queues are common.

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[REDACTED] The rationing will add to resentment over the government's inability to supply desirable goods for the consumer market. If the plan works, however, it should ensure that more people will be able to get at least some sugar.

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[ ] According to the plan, most Poles will be entitled to 2 kilograms (4.4 pounds) of sugar per month--probably somewhat less than monthly per capita consumption in 1975--at the current price. Sugar purchased beyond the basic allotment, where supplies permit, will cost nearly two and a half times the ration price.

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[ ] The regime also wants to maintain the recently increased pace of sugar exports. During the first five months of this year, 151,000 tons of sugar were sold abroad; none was exported during the same period in 1975. [ ]

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#### USSR-PORTUGAL: Gromyko May Visit

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[ ] The Soviet embassy in Lisbon has informed Portuguese Prime Minister Soares that Soviet Foreign Minister Gromyko would like to stop in Lisbon for two days on his way to the UN General Assembly session.

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[ ] Soares does not want a Soviet official to be the first important leader to visit Portugal after the elections, preferring to have a West European leader come first. Soares thinks the Gromyko visit could be helpful, however, if it led the Portuguese Communist Party to soften its opposition to the government.

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[redacted] From the Soviet point of view, Gromyko's visit would reaffirm the USSR's desire to maintain ties with Portugal despite Soares' policy of stressing relations with the West. [redacted]

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